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December 26, 2012

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in dark ink, appearing to read "Wendy L. Watanabe", with a stylized flourish at the end.

SUBJECT: **PHOENIX HOUSES OF LOS ANGELES, INC. – A DEPARTMENT OF
PUBLIC SOCIAL SERVICES COMMUNITY SERVICES BLOCK GRANT
PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a review of Phoenix Houses of Los Angeles (PHLA or Agency), which covered a sample of transactions from Fiscal Year (FY) 2011-12. The Department of Public Social Services (DPSS) contracts with PHLA, a non-profit organization, to operate the Community Services Block Grant (CSBG) Program. CSBG Program services include providing employment services to eligible low-income youth between the ages of 16 and 21.

The purpose of our review was to determine whether PHLA appropriately accounted for and spent CSBG Program funds to provide the services outlined in their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid the Agency approximately \$15,000 on a fixed-rate per participant basis for FY 2011-12. PHLA provides services to residents of the Third Supervisorial District.

Results of Review

PHLA provided services to eligible participants, maintained adequate financial controls, and appropriately charged expenditures to the CSBG Program. In addition, PHLA's staff had the required qualifications, and the Agency's Cost Allocation Plan was

prepared in compliance with the County contract, and was used to allocate shared costs appropriately. The Agency did not have any unspent CSBG Program funds. We have no findings or recommendations for the Agency.

Review of Report

We discussed our report with PHLA and DPSS in December 2012. PHLA is not required to submit a response to this report, because there are no findings or recommendations.

We thank PHLA management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA:JS

c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Director, Department of Public Social Services
Dr. Rodney Skager, Board Chairman, PHLA
Pouria Abbassi, Senior Vice President and Regional Director, PHLA
Public Information Office
Audit Committee

**PHOENIX HOUSES OF LOS ANGELES, INC.
COMMUNITY SERVICES BLOCK GRANT PROGRAM
FISCAL YEAR 2011-12**

ELIGIBILITY

Objective

Determine whether Phoenix Houses of Los Angeles (PHLA or Agency) provided services to individuals who met the Community Services Block Grant (CSBG) Program eligibility requirements.

Verification

We reviewed the case files for ten (50%) of the 20 participants who received services during April and May 2012 for documentation to confirm their eligibility for CSBG Program services.

Results

PHLA had documentation to support the ten participants' eligibility.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether PHLA provided the services required by their County contract and CSBG Program guidelines, and whether the Program participants received the billed services.

Verification

We visited PHLA's service site, and reviewed the case files for ten (50%) of the 20 participants who received services during April and May 2012.

Results

PHLA provided services in accordance with the County contract.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether PHLA's staff had the qualifications required by the County contract.

Verification

We reviewed the personnel files for the two PHLA employees who worked on the CSBG Program.

Results

PHLA's staff had the required qualifications.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether PHLA recorded revenue in its financial records properly, deposited cash receipts into the Agency's bank accounts timely, and completed and approved bank account reconciliations as required.

Verification

We interviewed PHLA management, and reviewed the Agency's financial records and June 2012 bank reconciliations.

Results

PHLA recorded revenue in their financial records properly, deposited Department of Public Social Services (DPSS) payments into the Agency's bank account timely, and prepared monthly bank reconciliations appropriately.

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether expenditures charged to the CSBG Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed PHLA's personnel, and reviewed financial records for \$6,241 in non-payroll expenditures that the Agency charged to the CSBG Program from November 2011 through January 2012.

Results

PHLA's expenditures were allowable, properly documented, and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether PHLA charged payroll costs to the CSBG Program appropriately, and obtained required criminal background clearances and employment eligibility for the Agency's CSBG Program staff.

Verification

We traced the payroll costs for the two employees, totaling \$550, for May 2012 to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for the two CSBG Program staff.

Results

PHLA appropriately charged payroll costs to the CSBG Program, and obtained background clearances and employment eligibility for CSBG Program staff.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether PHLA's Cost Allocation Plan was prepared in compliance with their County contract, and was used to appropriately allocate shared costs.

Verification

We reviewed the Agency's Cost Allocation Plan, and a sample of expenditures from November 2011 through May 2012.

Results

PHLA's Cost Allocation Plan was prepared in compliance with the County contract, and the Agency allocated their shared costs appropriately.

Recommendation

None.

CLOSE-OUT REVIEW**Objective**

Determine whether PHLA had any unspent revenue for the CSBG Program for Fiscal Year (FY) 2011-12.

Verification

We traced the total revenues and expenditures from PHLA's FY 2011-12 close-out report to the Agency's accounting records, and to DPSS' payment records.

Results

PHLA did not have any unspent revenue during FY 2011-12.

Recommendation

None.